

Market Alert

Thursday 16 November 2023

CURRENCIES	Spot	6mths
NZD/USD	0.6021	0.0002
NZD/AUD	0.9246	-0.0044
NZD/JPY	91.17	-2.60
NZD/EUR	0.5553	-0.0044
NZD/GBP	0.4848	-0.0005
NZD/CNH	4.3719	-0.0577
AUD/USD	0.6508	0.0032
AUD/EUR	0.6000	-0.0020
EUR/USD	1.0845	0.0086
USD/CNH	7.2596	-0.0979
GBP/USD	1.2418	0.0014
EUR/GBP	0.8731	0.0058

INT RATES	NZ	Australia
OCR/Cash	5.50%	4.35%
90 day bills	5.68%	4.45%
2 year swap	5.17%	4.44%
10 year Govt	5.07%	4.63%

It's all over Red Rover...

... and it doesn't matter whether you're a Black Cap cricket fan or a Treasury bear... your day in the sun has passed!

To be fair, as far as the cricket was concerned, India's start was so impressive the game was practically over after the first 10-overs, but well done to the boys in black for having a crack at that huge total and giving it their all. But the one thing I can't figure out is... why was David Beckham there?

And it's the same story for all of those treasury bears... it was a good run while it lasted! Yes, we did see a bounce back in yields today with the US 2 and 10-years firming 11bp to yield 4.93% and 4.55%, but with US job growth slowing, inflation and PPIs falling, average hourly earnings increased and retail sales slowing, we

would argue the US economy is setting itself up perfectly for a strong recovery in 2024. With these positive releases it will be difficult for central banks to maintain their standard line that *"inflation is well above its target,"* and that, *"If it becomes appropriate to tighten policy further, we will not hesitate."* Ultimately, traders and investors won't buy into this rhetoric as they look to start front-running the cutting cycle despite Fed member Mary Daly warning that while the inflation drop was *"very, very encouraging,"* the Fed *"should be thoughtful and take our time, not rush to judgment, and not make any declarations. Rate cuts aren't happening for a while."*

More timely data

With US consumers contributing 60.0% to GDP, the fact US workers are seeing incremental rises in average hourly earnings, and with retail sales overnight outperforming expectations, falling just -0.1% in October against expectation for a -0.3% contraction, combined with the fact September's release was revised up to 0.9%, implies a strong consumer will support the US economy into 2024. Add in the fact producer prices inputs fell their most since April 2020, dropping -0.5% in October, which adds to the evidence that inflationary pressures are abating, and that the NY Empire manufacturing index rose 14 points to 9.1 for the index's highest reading since April, it all suggests the US is on course for a soft landing as per the last upgrade to the Atlanta Fed's

GDPNow model which is projecting US Q4 growth at 2.2%

There was also some positive news out of China after October retail sales grew by 7.6% and industrial production rose by 4.6% from 12-months ago with both prints exceeding expectations, while fixed asset investment for the first 10 months of the year grew by 2.9% from a year ago, but the situation isn't so positive in Europe after the European Commission's economic update downgraded the Eurozone's 2023 growth from 0.8% to 0.6%, while September industrial production declined -1.1% in September, suggesting the European recovery will be a lot slower.

In the other headlines, UK inflation dropped to its lowest level since October 2021, easing to 4.6% in October from September's 6.7%, while in New Zealand annual net migration hit a fresh record high firming above 118k in September and electronic card spending fell -0.7% in October highlighting the challenges facing the household and retail sectors.

Equity markets enjoyed a positive session, cementing in 0.5% gains, commodities were mixed as oil eased a further -1.75%, and the slightly stronger USD-index saw the NZD and AUD cement in yesterday's gains.



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Daily Rates

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FX	Spot	FECs (mid)				Spot Mid		
	Mid	1mth	3mths	6mths	12mths	NZD/...	AUD/...	
NZ TWI	70.70					CAD	0.8234	0.8904
NZD/USD	0.6021	0.0000	0.0002	0.0002	0.0000	CHF	0.5348	0.5783
NZD/AUD	0.9246	-0.0009	-0.0024	-0.0044	-0.0069	CNY	4.3632	4.7175
NZD/JPY	91.17	-0.44	-1.37	-2.60	-5.06	DKK	4.1409	4.4758
NZD/EUR	0.5553	-0.0007	-0.0022	-0.0044	-0.0095	FJD	1.3359	1.4440
NZD/GBP	0.4848	-0.0001	-0.0002	-0.0005	-0.0012	HKD	4.7008	5.0811
						KRW	784.64	848.11
AU TWI	60.90					MYR	2.8118	3.0392
AUD/USD	0.6508	0.0005	0.0019	0.0032	0.0047	NOK	6.5041	7.0302
AUD/NZD	1.0806	0.0009	0.0027	0.0048	0.0073	SEK	6.3408	6.8537
AUD/JPY	98.54	-0.39	-1.23	-2.39	-4.80	SGD	0.8127	0.8784
AUD/EUR	0.6000	-0.0002	-0.0009	-0.0020	-0.0060	TWD	19.24	20.80
AUD/GBP	0.5240	0.0003	0.0011	0.0019	0.0024	ZAR	10.96	11.84
USD Index	104.40					EQUITIES		
EUR/USD	1.0845	0.0013	0.0045	0.0086	0.0181		Index	
USD/JPY	151.36	-0.74	-2.31	-4.39	-8.33	NZX50	11,353	
GBP/USD	1.2418	0.0002	0.0008	0.0014	0.0027	ASX200	7,106	
EUR/GBP	0.8731	0.0009	0.0030	0.0058	0.0122	Dow Jones	35,016	
						S&P 500	4,509	
INTEREST RATES			New Zealand		Australia	FTSE100	7,487	
			Mid		Mid	DAX 30	15,748	
30 day bank bills			5.62%		4.34%	Nikkei	33,520	
90 day bank bills			5.68%		4.45%	COMMODITIES		
1 year swap			5.56%		4.51%		USD	
2 year swap			5.17%		4.45%	Brent Crude	81.04	
3 year swap			4.93%		4.43%	Gold	1,961.13	
5 year swap			4.73%		4.63%	Silver	23.44	
10 year swap			4.82%		4.90%	Iron Ore	128.78	
3 year Govt bond			4.96%		4.23%	CRB Index	314.88	
5 year Govt bond			4.91%		4.30%		NZD	
10 year Govt bond			5.07%		4.63%	NZ Carbon	70.10	

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